



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 2** HLS 01A- 37

Bill Text Version: **REENGROSSED**

Opp Chamb Action: **w/ SEN FLOOR AMD**

Sub Bill For:

Proposed Amd:

Date:	March 21, 2001	11:51 AM	Author:	DEWITT
Dept/Agy:	Public Safety			
Subject:	Gaming - Riverboat Dockside Gaming and Tax Rate Increase		Analyst:	Greg Albrecht

GAMBLING/RIVERBOAT REF +\$75,000,000 SD RV See Note

Provides for gaming while riverboats are docked and gaming on permanently moored riverboat vessels

Current law imposes total state fees on riverboat net gaming proceeds of 18.5%. This total is composed of a 15% franchise fee component deposited to the state general fund, and 3.5% component deposited to the Enforcement Fund.

Proposed law allows boats to choose to continue cruising but imposes an additional 3% franchise fee rate on all boats, for a total of 18%. The Enforcement Fund continues to receive revenue from its existing 3.5% rate. The total new rate on riverboat activity is 21.5%, levied against the existing dockside base in the Red River market and the expanded dockside base in the three other markets of the state. A special fund (the Support Education in Louisiana First Fund, SELF) is created to receive a portion of revenue collections from riverboat gaming activity. Monies can be appropriated from the fund for pre-K through 12 teacher salary increases (70%) and post-secondary faculty salary increases (30%). Effective upon governor's signature.

EXPENDITURES	2001-02	2002-03	2003-04	2004-05	2005-06	5 YEAR TOTAL
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2001-02	2002-03	2003-04	2004-05	2005-06	5 YEAR TOTAL
State General Fd.	\$21,000,000	\$21,000,000	\$21,000,000	\$21,000,000	\$21,000,000	\$105,000,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$49,000,000	\$49,000,000	\$49,000,000	\$49,000,000	\$49,000,000	\$245,000,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000	\$70,000,000	\$350,000,000

EXPENDITURE EXPLANATION:

There is no anticipated direct effect on expenditures as a result of this measure.

REVENUE EXPLANATION:

The fiscal note assumes that all nine boats in the Lake Charles, Baton Rouge, and New Orleans markets would opt for dockside operations as soon as possible after enactment of the bill, and that dockside operations generate an average of 17.25% greater gaming activity than cruising operations.

The cruising markets (Lake Charles, Baton Rouge, and New Orleans) have projected total gaming activity in FY02 of some \$786.5 million. Increasing this for continuous dockside gaming results in \$927.7 million of projected gaming activity for these markets under dockside operations. The current fee rates generate an additional \$26.1 million from the expanded dockside gaming activity. In addition, a new 3% rate on the entire gaming activity in these markets would be imposed once they engage in continuous dockside gaming, and would generate an additional \$27.8 million. The Red River market is expected to have total gaming activity (exclusive of the 14th licensed Hollywood boat) of \$697.4 million in FY02. An additional 3% rate imposed on that market would generate an additional \$21 million. Total new revenue generated is \$75 million in FY02.

The bill establishes the Support Education in Louisiana First Fund (SELF) to receive a portion of the total collections from riverboat gaming. This bill allocates three percentage points of the new total franchise fee rate on all riverboat collections to the SELF Fund. That amount is \$49 million. The remaining fifteen percentage points is allocated to the state general fund, which stands to gain some \$21 million more than it would recieve without the bill. Finally, the Enforcement Fund stands to gain \$5 million from its 3.5% rate applied against the expanded dockside base authorized by this bill. Only the state general fund and the SELF Fund effects are shown in the table above.

The bill will affect the 14th boat recently opened in the Red River market (Hollywood boat). Impacts associated with the 14th boat are not included above because that boat is not yet included in the official revenue forecast. Speculating on its contribution to the numbers above generates possible additional SELF receipts of \$4 million, state general fund receipts of \$21 million, and Enforcement Fund receipts of \$5 million.

Senate

- ☐ 13.5.1 >= \$500,000 Annual Fiscal Cost
- ☒ 13.5.2 >= \$500,000 Annual Tax or Fee Change

House

- ☐ 6.8(F) >= \$500,000 Annual Fiscal Cost
- ☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

H. Gordon Monk
STAFF DIRECTOR



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PURPOSE OF BILL (continued from page one) ^{REF}+\$75,000,000 SD RV See Note

EXPENDITURE EXPLANATION (continued from page one) :

REVENUE EXPLANATION (continued from page one) :

Continuous dockside gaming by itself would likely increase state tax revenue from the likely additional gaming activity that would occur without the requirement to cruise. An average impact from continuous dockside gaming of 17.25% is applied to the current cruising markets to project the expanded tax base under continuous dockside gaming. This dockside factor is the average of the lower bound of Harrah's research and the results of a university researcher from Kentucky.

Since the rate increase in the bill is effective immediately, and dockside operations are likely to commence soon after enactment of this bill, additional revenue will be generated in the remaining months of FY01. This current year effect might be in the range of \$10 million - \$13 million into the SELF Fund, \$4 million to \$6 million into the state general fund and, \$1 million to \$1.5 million into the Enforcement Fund. The 14th boat might add another \$1 million to the SELF Fund, \$5 million to the state general fund and, \$1 million to the Enforcement Fund.

Dual Referral Rules

Senate

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